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STATE OF VERMONT
OFFICE OF THE STATE TREASURER

TO: Capital Debt Affordability Advisory Committee
FROM: Scott Baker, Director of Financial Reporting
RE: Minutes of Meeting on Wednesday, August 27, 2014

CDAAC Members Attending

DAVID COATES, CPA, Managing Partner, KPMG (Retired) and VT Business Roundtable
LAURA DAGAN, CFA, Chair, Dwight Asset Management (Retired)
ROBERT GIROUX, Executive Director, Vermont Municipal Bond Bank
DOUG HOFFER, Vermont State Auditor
BETH PEARCE, Chair, Vermont State Treasurer
JEB SPAULDING, Secretary of Administration

Members of the General Assembly

REP. CYNTHIA BROWNING (Arlington) (via telephone)

Also Attending

STEVE WISLOSKI, Deputy State Treasurer
EMILY MONTGOMERY, Buildings and General Services (via telephone)
CATHERINE BENHAM, Legislative Joint Fiscal Office
SCOTT BAKER, State Treasurer's Office
TOM HUESTIS, Public Resources Advisory Group
CHRISTINE FAY, Public Resources Advisory Group (via telephone)
JEFF CARR, Economic & Policy Resources, Inc. (via telephone)

1. Opening remarks and approval of minutes

Ms. Pearce called the meeting to order at 2:00 p.m. All attendees introduced themselves.

Mr. Coates made a motion to approve the minutes of the July 8, 2014 meeting. Mr. Giroux seconded the motion, which passed unanimously.

2. Review of debt affordability scenarios

Mr. Carr reviewed some of the economic data which is used to create the metrics. He said that the population declined in Vermont this year for the first time in over 50 years. There will be updated census data available in early October, which may affect his economic forecast. He is

quite confident in his forecast for the first five years, but beyond 2018 is subject to significant revision.

Due to the potential significant forecast change, Ms. Pearce suggested that the Committee issue a short progress report before the September 30 deadline, and follow up with a more comprehensive report when the new data and forecasts are available. Mr. Hoffer agreed that a progress report before September 30 would create a record, and could indicate the reason for the delay in the full recommendation. Mr. Giroux also commented that it would be difficult and confusing to issue in September and possibly have to restate in October.

Ms. Pearce suggested that perhaps some of the six current issuance scenarios being reviewed could be eliminated. Ms. Dagan also asked if the key measures that have been used in the past should be reexamined. She also noted that comparisons to others in a peer group are difficult since the group is constantly changing.

Mr. Huestis reviewed the six scenarios currently being considered. After some discussion, the Committee agreed to use Scenario #1 (continue current issuance amount of \$159.9 million, 2 year authorization) as a baseline, and to eliminate several of the other options. The remaining options of Scenarios #4 (\$113.7 million) and #6 (\$134.7) will remain for future discussion.

Mr. Hoffer reviewed the data and information that he gathered and suggested we educate the Rating Agencies, as he does not believe that these are taken into account. This data included money spent on infrastructure, poverty levels compared to other states, quality of life, and percentage changes in Real Capita GSP and Per Capita Income.

Mr. Wisloski reviewed Vermont's rating scores in comparison to other states with two AAA ratings, using the S&P scoring grid. Discussion followed on several of the criteria.

Ms. Pearce said that she would file a progress report for the Committee before September 30, and a date will be set for the next meeting when the new data is available.

3. Public Comment and Adjournment

Rep. Browning suggested that the Committee has a duty to be proactive in analyzing the effect that implementing Green Mountain Care will have on the General Fund, and should make a list of review items for the Legislature to consider. She also expressed her disappointment that the Committee would not prepare their full report before September 30, using the numbers currently available. She also said that she is concerned that the modeling numbers being used are not public.

Ms. Pearce responded that attempting to file the report prior to reviewing the updated data would result in producing a report which would not be consistent with the GMC baseline data. She said that the Committee intended to review details of GMC when they were available, but that it was premature at this point. Mr. Spaulding stated that he felt that it was prudent to wait for the final data numbers, and that delaying the debt recommendation would not cause any harm.

Mr. Coates made a motion to adjourn the meeting, Ms. Dagan seconded, and the Committee unanimously voted to adjourn at 4:08 p.m.